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DEPT for EEB/IFD/OMA, Briana Saunders

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SUBJECT: Cameroon and Fiscal Transparency

REF A: State 01923
REF B: 09 Yaounde 1095
REF C: 09 Yaounde 729

¶1. (SBU) Summary: The Government of Cameroon (GRC) annually publishes its budget as passed by the National Assembly and approved by the President. The published budget allows the public to review some information regarding projected revenues and expenditures, but the GRC's actual income and expenditures are believed to vary widely from the publicly announced appropriations, and it is not possible for Cameroonian citizens to obtain detailed information regarding actual GRC revenues and expenditures. The Government of Cameroon has taken some recent positive action to improve budget transparency, but its finances are still relatively opaque. Post supports another waiver based on these initial steps and offers its updated 2010 action plan. End Summary.

¶2. (SBU) The GRC is already receiving U.S. foreign assistance funds from the FY10 State Foreign Operations Appropriations Act.

Budget Publicly Available With Incomes and Expenditures

¶3. (SBU) The GRC makes public its annual finance law, which includes projected revenues and expenditures for the coming year. This information is published widely in the official and private media but is not available online. Cameroonian citizens are able to obtain more details regarding the projected budget by purchasing the Official Gazette, which costs about 500 CFA (about \$1). The Official Gazette includes more detailed information on the execution of the previous year's public investment budget; however, as reported in Ref B, budget watchdog Dynamique Citoyenne estimates only 17% of the public investment budget is accounted for in the Official Gazette.

The Publicly Available Budget Is Not Completely Accurate

¶3. (SBU) The Embassy believes there is significant variance between the projected budget and the budget as it is actually executed. Embassy contacts continue to report that the GRC does not have the capacity to track its own budget execution because there is no interface among various computer programs used by the Office of the Budget (which plans the budget) and the Office of the Treasury (which spends the money), meaning even the Minister of Finance is incapable of giving a detailed account of how funds are spent. A prominent economist pointed out in local newspapers during the most recent budget exercise that the lag in budget execution has led to what should be an accumulated budget surplus of almost \$4 billion and the public does not know where the money has gone. The World Bank Country Representative told EconOff that while the government has recently taken some steps, transparency concerns still prevented his organization from lending the government substantial amounts of money. The Embassy has not heard of any substantial "off-budget" spending by the GRC since our last report in 2009 (Ref C), although contacts believe that it still occurs.

The GRC Has Recently Taken Limited Steps To Improve Transparency

¶4. (SBU) Although the GRC's budget is still far from transparent, since our reporting in 2009 (Refs B and C) it has taken limited steps to improve transparency. The GRC had stopped publishing quarterly budget execution updates for most of 2008, but has now published three quarterly reports in 2009. The latest report, published December 30, 2009, updates information as of the end of September 2009. Finance Minister Essimi Menye published a full page ad in newspapers on December 14, 2009, directing all managers of public money, including ambassadors and local officials, to perform an end of year cash count and submit the results by January 14, 2010.

¶5. (SBU) Finance Minister Menye did not seem very receptive to Ambassador's demarche (Ref C) in August, 2009. However, five months later, on January 11, 2010, Prime Minister Philemon Yang independently designated his Secretary General to respond and follow up with the Ambassador's concerns. At an initial meeting with EconOff on January 20, 2010, the Secretary General promised to work on budget transparency issues and promised to meet regularly with EconOff, along with his two staffers who work the portfolio, although no specific actions were previewed. The Secretary General also presented Econoff with the first report of the Steering Committee for Public Finance Reform, published in November 2009, entitled "Public Finance Modernization Plan." Formed in February 2009, the Committee aims to improve governance in public finances through several methods outlined in the 46-page report.

¶6. (SBU) Cameroon is a candidate country in the Extractive Industries Transparency Initiative (EITI) process and EITI "validators" are in country the week of January 18, 2010 to assess the progress toward becoming compliant. At a presentation to donors in November, representatives from Cameroon's EITI committee reported optimism in achieving validation by the March, 2010 deadline.

Cameroon has published EITI reports and worked with corporations, government and civil society to effect compliance with EITI standards. Privately, however, NGO and other non-governmental contacts have told EconOff they are not optimistic Cameroon will be EITI compliant by March 2010, but that the deadline may be extended.

Updated 2010 Action Plan for Encouraging Transparency

¶7. (SBU) The Embassy will push for regular meetings and concrete action with the nascent informal working group in the General Secretariat of the Prime Ministry, perhaps including it in regular meetings of the multi-donor community. Along with the donor community, we will seek regular progress reports on the newly published Plan. The Embassy has in the past hosted successful roundtables with NGOs, donors, IFI representatives, and government officials to push for progress on budget transparency and will do so again in February. The EITI process will guide public and private diplomacy. Finally, the Ambassador will continue to raise the issue with senior government interlocutors.

¶8. (SBU) Comment: Government lethargy, corruption and capacity limitations hinder overall government effectiveness, including greater progress in improving budget transparency. Nevertheless, Cameroon has taken some concrete steps since the Ambassador's demarche in August, 2009 and the donor community continues to pressure its interlocutors in government to improve transparency. The more regular budget execution reports, public moves by the Finance Minister, and the independent, albeit late, response by the Prime Minister perhaps signal more action on the issue. A readout of the EITI validator visit will also be crucial to gauge Cameroon's seriousness. In the end, post supports yet another waiver for Cameroon based on these limited but encouraging efforts. Additionally, ending aid, FMF and IMET especially, would undermine other USG priorities in Cameroon, including public health initiatives, maritime security initiatives, food security, and even receptiveness to substantial American commercial interests. End comment.

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